

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF MIKE LITTLE	)	
GAS COMPANY, INC., FOR AN	)	
EXTENSION OF THE SURCHARGE IN	)	CASE NO. 92-097
AN ORDER IN CASE NO. 9897	)	

O R D E R

On October 1, 1987, in Case No. 9897,<sup>1</sup> the Commission authorized Mike Little Gas Company, Inc. ("Mike Little") to implement a surcharge effective October 21, 1987 for the purpose of repaying a loan incurred to pay past-due gas bills. The surcharge was to last until the loan was repaid, or for a period no longer than five years. In a letter received March 13, 1992, Mike Little requested approval to continue collecting the surcharge in the amount of 46.4 cents per Mcf from its customers for 13 months after the five-year period has expired or until it has received the full amount that the surcharge had been designed to collect. In its request of March 13, 1992, Mike Little provided data as of January 1992 detailing collections of the surcharge, payments, and remaining balances.

The Commission is generally opposed to extending surcharges beyond the period specified in the original Order approving the

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<sup>1</sup> Case No. 9897, An Adjustment of Imposition of Surcharge by the Mike Little Gas Company, Inc., Order dated October 1, 1987.

surcharge and has denied surcharge extensions where it was apparent that funds were diverted from the intended uses. Surcharges are not provided to guarantee the utility that 100 percent of its arrearage plus interest will be recovered at the end of the designated period, and it is incumbent upon the utility to exercise proper fiscal control during the surcharge period to maximize the benefits of the added revenues.

In this instance, it is clear that the surcharge has not produced adequate revenues because the Mcf volumes used to determine the surcharge were considerably higher than what has been realized in sales over the period the surcharge has been in effect. The deficiency in sales volumes has occurred due to the loss of customers on the Mike Little system since the surcharge was imposed.

Based on the circumstances in this case and being otherwise sufficiently advised, the Commission finds that:

1. The information provided by Mike Little is in sufficient detail to determine that all surcharge collections were used to discharge the loan and that, in some instances, Mike Little had supplemented payments to the First Commonwealth Bank with its own funds.

2. It appears that the set expiration date of October 21, 1992 will be reached before the full amount of \$100,000 plus interest, which was originally authorized to be collected, is received. The remaining balance of \$34,103 owed to the bank and Mike Little as of January 1992, excluding interest, is more than

the surcharge collected in any 12-month period since its inception.

3. The surcharge should be extended for 13 months or until the full amount of the revenue designed to be collected is received, whichever occurs first. The surcharge should not be extended beyond the additional 13 month period.

4. No later than September 15, 1992, Mike Little should file a report showing total surcharge collections as of August 21, 1992 and amounts remaining to be collected. Similar reports shall be filed by the fifteenth of each month thereafter showing collections and remaining balances. When the remaining balance to be collected becomes sufficiently small, the surcharge amount may be recalculated by the Commission to most accurately recover the authorized amount.

IT IS THEREFORE ORDERED that:

1. Mike Little's surcharge should be extended for 13 months beyond October 21, 1992 or until the \$100,000 plus interest authorized to be collected in Case No. 9897 is received by Mike Little, whichever occurs first.

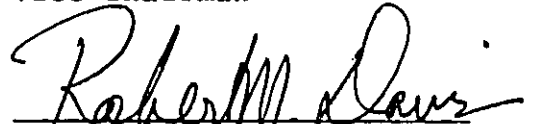
2. Reports detailing the surcharge collection and debt reduction shall be filed as directed herein.

Done at Frankfort, Kentucky, this 15th day of June, 1992.

PUBLIC SERVICE COMMISSION

  
Chairman

  
Vice Chairman

  
Commissioner

ATTEST:

  
Executive Director